

February 27, 2003

Mr. Larry Walker, Director  
U.S. Department of Agriculture  
Farm Service Agency  
Economics and Policy Analysis Division  
Room 3741  
1400 Independence Avenue, SW  
Washington, DC 20250

Mr. Walker,

Having had the opportunity to review the documentation for the new entrant application from Arizona Sugar LLC, we would like to comment further on the testimony provided by the applicant on January 29, 2003. There are several discrepancies in the Arizona documentation that are of grave concern to those of us who would be affected by a decision by USDA to approve this application for a new allocation.

Beginning with the production side of the application, there is no evidence linking information reported in the 1998 yield report submitted by the Arizona Cooperative Extension Agent to the current applicant's efforts. Further, this information is from a non-replicated, non-scientific report of insufficient size to reasonably predict cane tonnage and, as such, is totally inadequate for predicting yield of tons cane per acre in the proposed Arizona project.

To obtain reliable yield information for a specific area, it is appropriate to provide data on cane grown on sizeable acreage using commercial practices that is harvested utilizing conventional equipment.

Sugar per ton of cane (cane quality) as provided in the application also falls short in many respects, not the least of which is the fact that the cane and sugar yield data included in the request were derived from unrelated trials undertaken in another state with different growing conditions. To obtain reliable cane quality information for a specific area, it is appropriate to provide data on cane actually processed using commercial practices utilizing conventional equipment. Overall, the data provided is

inconsistent and is irreconcilable with conventional industry standards for calculating yields.

To justify an approval of an application, a project must be fully operational before the marketing year in which an allotment is requested. This will clearly not be the case with the Arizona applicant. For example, in the Arizona application for sugar allotment, Item E (a summary of material balances), the first paragraph states that the factory will commence operations in October 2004 "FY 2005." Given that a typical project development schedule would be a minimum of 30 months, (business plan, permitting, site acquisition, design, construction, etc.) there is no evidence to suggest that the Arizona factory could be completed by October 2004.

There is a total lack of research data in the request for allotment. For example, information relating to the development of the crop (varieties, rate of planting, fertilizer rates, irrigation methods and scheduling, harvesting procedures, cane transportation, etc.), obtaining the necessary regulatory approvals, purchasing equipment, and developing construction schedules is missing.

Generic fragments of technical information aimed at creating the impression that a project technical review has been undertaken is hardly convincing. At best, the information provided is a laundry list of the possible types and, in some limited way, the sizing of equipment one would typically find in such a process and is clearly not site-specific. For example, the heat and mass balance section lists "refinery equipment" as part of the needed plant while the request for allotment is based on raw sugar manufacture only.

Regarding the marketing of the cane sugar, the submission of a "letter of interest" to demonstrate the existence of a marketing effort is clearly not a plausible commitment from either party to handle the sale of sugar.

In short, the applicant has failed to provide significant documentation to prove that the project can produce, process and market significant amounts of sugar in the foreseeable future. For this reason, we urge the Department to reject the application until these deficiencies are addressed and the operation can be proven

to be one that will meet USDA's basic definition of a sugarcane processor prior to the affected marketing year for the allotment, to wit:

*a person who commercially produces sugar, directly or indirectly, from sugarcane, has a viable processing facility, and a supply of sugarcane for the applicable allotment year*

It is clear that the AZ sugar application does not meet this test, and that the application must be rejected, especially when weighed against the adverse impact that approval of this premature application would have on producers in other cane-producing states.

Sincerely,

Dalton Yancey  
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Florida Sugar Cane League  
Hawaii Sugar Farmers  
Rio Grande Valley Sugar Growers

Antonio Contreras,  
Senior Vice President  
Florida Sugar Cane  
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